

Message Text

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DRAFTED BY FRB: BERNARD:DMG-B
APPROVED BY EA/J:NICHOLAS PLATT
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FM SECSTATE WASHDC
TO AMEMBASSY TOKYO IMMEDIATE

C O N F I D E N T I A L STATE 096878

TO MCCAMEY FROM FEDERAL RESERVE BERNARD

E.O. 11652: GDS

TAGS: OVIP (BURNS)

SUBJECT:BURNS TRAVEL TO TOKYO (MIYAKO HOTEL, KYOTO)

1. THE BRITISH CURRENT ACCOUNT IN MARCH WAS IN LARGE DEFICIT. DUTCH HAVE CUT DISCOUNT RATE BY 1/2 POINT. THE TRADE-WEIGHTED VALUE OF THE DOLLAR ROSE 0.1 PERCENT.
2. INDUSTRIAL PRODUCTION IN MARCH INCREASED BY AN ESTIMATED 1.4 PERCENT, THE BIGGEST RISE SINCE MARCH '77 WHEN IT ROSE BY 1.6 PERCENT. THIS FOLLOWS A REVISED 0.3 PERCENT RISE IN FEBRUARY AND AN 0.8 PERCENT DECLINE IN JANUARY. OUTPUT GAINS IN MARCH WERE WIDESPREAD AMONG PRODUCTS AND MATERIALS. AT 141.0 OF THE 1967 AVERAGE, THE MARCH INDEX IS 4.2 PERCENT HIGHER THAN A YEAR AGO AND NEARLY ONE PERCENT ABOVE THE DECEMBER 1977 LEVEL. HOWEVER, INDUSTRIAL PRODUCTION IN THE FIRST QUARTER OF 1978 WAS ONLY SLIGHTLY HIGHER THAN THAT IN THE FOURTH QUARTER OF 1977-- REFLECTING THE EFFECTS OF THE SEVERE WINTER WEATHER AND THE LENGTHY COAL STRIKE.

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3. RETAIL SALES, SEASONALLY ADJUSTED, INCREASED 1.2 PERCENT IN THE WEEK ENDED APRIL 8, WITH ALL THE GAINS DUE TO HIGHER SALES AT AUTOMOTIVE STORES. AS COMPARED WITH A YEAR EARLIER, TOTAL SALES WERE UP 4 PERCENT IN THE MOST RECENT WEEK AND UP 8 PERCENT IN THE MOST RECENT FOUR WEEKS.

4. THERE WAS SUBSTANTIAL CHANGES IN THE PRICES OF U.S. GOVT. SECURITIES TODAY. TREASURY BILLS FELL 10-15 BASIS POINTS, WITH THE 3-MONTH BILL CLOSING AT 6.14 PERCENT, DOWN 15 BASIS POINTS FROM YESTERDAY. EARLY PRESS REPORTS, LATER VIGOROUSLY DENIED BY JODY POWELL, SAID ADMINISTRATION WAS PLANNING TO TRIM TAX CUT. FEDERAL FUNDS TRADED PRIMARILY AT 6-3/4 THROUGHOUT THE DAY.

5. THE DOW-JONES INDUSTRIALS ROSE ALMOST 20 POINTS TO 795. MONEY SUPPLY AND INDUSTRIAL PRODUCTION FIGURES ARE REPORTED TO CONTRIBUTE TO RISE. CHRISTOPHER

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